

Message Text

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C O N F I D E N T I A L STATE 189691

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E.O. 11652: GDS

TAGS: MASS,

SUBJECT: WEEKLY STATUS REPORT -- THAILAND, INDONESIA,
MALAYSIA, BURMA AND SINGAPORE AFFAIRS

INDONESIA

FMS CREDIT TERMS (CONFIDENTIAL)

TREASURY ON TUESDAY EVENING INFORMED THE NSC THAT IT WOULD
ACCEPT THE TERMS PROPOSED BY STATE (AND ENDORSED BY
AMBASSADOR NEWSOM) FOR FMS CREDITS TO INDONESIA. WE CAN
NOW RESPOND TO THE GOI PRIOR TO PRESIDENT SUHARTO'S DEAD-
LINE OF AUGUST 15 FOR INFORMATION ON WHICH TO BASE A
DECISION AS TO WHAT BASIC FIGHTER AIRCRAFT TO ACQUIRE AND
WE ARE PREPARING A TELEGRAM INSTRUCTING EMBASSY JAKARTA
TO NOTIFY THE GOI. AMBASSADOR NEWSOM BELIEVES THAT THE
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NEW TERMS WILL ASSURE A GOI DECISION TO SEEK THE F-5E,
ALREADY CHOSEN OR OBTAINED BY ALL OF INDONESIA'S ASEAN
PARTNERS. THE NEXT STEP IS TO MAKE SURE THAT A LOAN AGREE-
MENT IS SIGNED WITH THE INDONESIAN EMBASSY BY SEPTEMBER 30
SO THAT THE REMAINING 23.1 MILLION DOLS IN FY 77 FUNDS
DO NOT GO BY THE WAYSIDE.

GOI DEBT AND FINANCIAL PICTURE IMPROVED (LIMITED OFFICIAL USE)

THE INDONESIAN EMBASSY INFORMS US THAT A FORMAL AGREEMENT BETWEEN PERTAMINA AND A SWISS TANKER OWNER WILL BE SIGNED AUGUST 11, SETTLING A GLOBAL COURT WRANGLE OVER PERTAMINA'S NON-PAYMENT OF CERTAIN PROMISSORY NOTES SIGNED BY ITS ERSTWHILE PRESIDENT-DIRECTOR, IBNU SUTOWO. SETTLEMENT WILL BE AT 150 MILLION DOLS, HALF NOW AND HALF PAYABLE OVER THE NEXT THREE YEARS, OR ABOUT TWELVE CENTS ON EACH DOLLAR CLAIMED BY THE SWISS SHIP OWNER. WITH THIS AGREEMENT IN HAND, PERTAMINA SHOULD BE ABLE TO WORK OUT SETTLEMENTS QUICKLY WITH THE REMAINING THREE TANKER OWNERS WHO ARE PRESSING CLAIMS FOR NON-PAYMENT OF DEBTS. WHEN THIS IS DONE, A ONCE HUGE POTENTIAL DEBT OF 3.3 BILLION DOLS WILL HAVE BEEN REDUCED PROBABLY TO LESS THAN HALF A BILLION DOLLARS, AND PROSPECTIVE LENDERS TO INDONESIA WILL FIND THE COUNTRY'S DEBT SERVICE PICTURE MUCH MORE PREDICTABLE.

THAILAND

ESSO THAILAND BRIBERY PAYMENTS TO BE REVEALED (LIMITED OFFICIAL USE)

ESSO EASTERN PRESIDENT NOTIFIED EA THAT EXXON LEGAL CONFIDENTIAL

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STAFF HAS DECIDED TO ACCEPT A CONSENT JUDGMENT FROM THE SEC REGARDING ILLEGAL PAYMENTS OVERSEAS. THIS WILL RESULT IN A PUBLIC REPORT SPECIFYING THAI OFFICIALS, PAYMENT AMOUNTS AND DATES. ESSO THAILAND PAID A TOTAL OF 300,000 DOLS DURING THE 1969-1973 PERIOD TO THE PRIME MINISTER, HIS BROTHER, A MINISTER OF JUSTICE AND A MINISTER OF INDUSTRY. WE HAVE RECOMMENDED TO ESSO EASTERN THAT ESSO THAILAND'S MANAGER INFORM PRIME MINISTER THANIN SOONEST.

SIAM KRAFT PAPER COMPANY CASE GROWS MORE COMPLICATED (CONFIDENTIAL)

THE THAI SUPREME COURT HAS RULED THAT SIAM KRAFT PAPER COMPANY SHOULD PAY THE 3.2 MILLION DOLS FINE FOR IMPROPER TARIFF LABELING OF PAPER PULP IMPORTS IN 1970. PRIME MINISTER THANIN TOLD DEPUTY SECRETARY CHRISTOPHER THE FINE SHOULD BE PAID BUT HE RECOGNIZED PAYMENTS SHOULD BE STRETCHED OUT TO AVOID BANKRUPTCY OF SKPC. HOWEVER, THE BANGKOK CRIMINAL COURT RULED AUGUST 4 THAT THE FINE SHOULD BE PAID OVER 7 YEARS INSTEAD OF 11 YEARS AS THE SUPREME COURT HAD RULED AND THE PUBLIC PROSECUTOR'S OFFICE IS

STILL DEMANDING IMMEDIATE PAYMENT. EMBASSY BANGKOK HAS BEEN ASKED TO CLARIFY RTG ATTITUDE AT HIGHEST LEVEL AS THESE LATEST ACTIONS SEEM TO CONTRADICT PRIME MINISTER'S ASSURANCES. (EXIM BANK AND OPIC PROVIDED SKPC SUBSTANTIAL REFINANCING ASSISTANCE LAST YEAR TO PREVENT BANKRUPTCY. THEY ARE NATURALLY UPSET BY THIS LARGE FINE. SKPC HAS ONLY JUST BEGUN TO SHOW A MODEST PROFIT BUT IT MUST PAY OFF LARGE AMOUNTS OF DEBT UNTIL 1993). THE THAI AMBASSADOR HAS BEEN INFORMED (AND CONCURS WITH) USG CONCERNS IN THIS CASE AND THE BAD EFFECT ON THAI INVESTMENT CLIMATE TO BE EXPECTED IF THIS CASE IS NOT RESOLVED SATISFACTORILY.

PERSONNEL (UNCLASSIFIED)
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ED CHESKY ARRIVED ON BOARD THIS WEEK TO SUCCEED ART DORNHEIM, WHO RETIRES THIS FRIDAY AFTER 28 YEARS OF OUTSTANDING SERVICE. CHRISTOPHER

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Message Attributes

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